

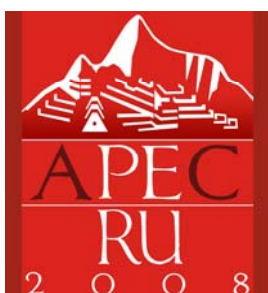


**Asia-Pacific
Economic Cooperation**

2008/ASCC/028

Is Regional Cooperation Mechanism a Platform for Successful Regional Architecture?

Purpose: Information
Submitted by: Korea



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Is Regional Cooperation Mechanism a Platform for Successful Regional Architecture?

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Major Challenges Facing Asia-Pacific Region

- **Deepened Economic Integration**
 - But relatively slow progress in institutionalizing regional cooperation
- **Continued Fragmentation by Rapid Proliferation of FTAs/RTAs**
 - Slow progress in multilateral trade liberalization under the WTO
 - Rapid expansion of FTAs in other parts of the world

Major Challenges Facing Asia-Pacific Region

- **The Emergence of New Security and Safety Agenda**
 - War on terror and its reverberation
 - Human security
 - Climate Change
 - Rising price of natural resource

The Objective of This Presentation

1. **To stock-take existing regional cooperation mechanisms in the Asia Pacific Region in the context of shaping an appropriate economic architecture.**
2. **To assess that existing regional cooperation mechanisms, especially ones emerged from East Asia do not necessarily cause any conflict in their economic and political interest but can be complementary.**

The Objective of This Presentation

3. To examine the feasibility of proper regional economic architecture in the Asia-Pacific with particular reference to APEC's FTAAP initiative.
4. To provide short to mid term policy suggestions for APEC to create an architect it may need to promote prosperous 'Asia Pacific Economic Community'

The Regional Cooperation Mechanism in A-P

	Unilateral	Bilateral		Minilateral		Multilateral
		Geographically concentrated	Geographically dispersed	Geographically concentrated	Geographically dispersed	
Arrangements	Various trade liberalization measures taken by Singapore and Hong Kong	Japan-South Korea FTA (suspend negotiation)	Singapore-New Zealand CEP (2000) Japan-Singapore EPA (2002)	ASEAN(1967) SAARC(1985) AFTA(1991)	PAFTAD(1968) APEC(1989) ARF(1994)	GATT/WTO (1947/1995) ITA(1997) BTA(1998)
	APEC Individual Action Plans (IAPs)	China-South Korea FTA (under study)	Korea-Chile FTA (2002) U.S.-Singapore EPA (2003)	China-ASEAN FTA (2003) Northeast Asian FTA (proposed)	ASEM(1996) ASEAN Plus Three (1998) ASEAN Plus Six	FSA(1999)
	Unilateral use of force		Japan-Mexico FTA (2004) Korea-Singapore FTA (2005) China-Chile FTA (2005) Korea-US FTA (2007)		P4 Korea-EFTA FTA (2005) Korea-ASEAN FTA (2006)	

Regional Cooperation Mechanisms - Mini-lateral Agreements -

- **The Asia Pacific Economic Cooperation (APEC)**
- **The Association of Southeast Asian Nations (ASEAN)**
- **The ASEAN Regional Forum (ARF)**
- **ASEAN Plus Three (APT)**
- **The East Asian Summit (EAS).**
- **P4 etc**

Reasons for the Proliferation of RTAs/FTAs in the APEC Region

- **Overcome the Possible Discrimination**
 - Economies with no FTAs started themselves to join existing FTAs or create new
- **The Rapid Spread of FTAs in East Asia**
 - East Asian economies have become active in forming FTAs since 1990s
- **Political Factors Stimulated the Proliferation**
 - Political factors combining security or other political interests serve as driving force

Conditions for the Proper Architecture

1. The capacity to respond to the challenges and changes facing the region
2. Inclusiveness of interests and agenda
3. The capacity for harmonizing the roles of other groups in the region
4. Should involve the pursuit of multilateralism and consistency with the WTO.

Rationale for FTAAP

- Rationale for Forming FTAAP
 - Defensive Reaction to the worldwide rise of Regionalism
 - Stagnation of WTO/DDA and challenges in achieving Bogor Goals
 - Prevention of the “Spaghetti Bowl Effect”

Challenges to Successful FTAAP

▪ Challenges

- Need strong political will and leadership
- Compatibility with APEC's existing agenda and principles: Bogor Goals, open regionalism, expansion of membership and etc.
- Institutional changes in APEC: e.g non-binding nature
- Diversity in Approaches to FTAs

How to Institutionalize Regional Integration

▪ Regional Cooperation Mechanisms as platform

- If economic integrations being pursued by RCM are successfully accomplished, there is room to expand them to a bigger integration, which is 'FTAAP' in the future.
- RCM, such as the APT, EAS and P4 will not only serve the members but also for non members
- Forming an East Asian Community should not be viewed as a move against the Asia-Pacific Community

How to Institutionalize Regional Integration

- **Key Issues to be Resolved for Success**
 - How to harmonize with existing FTAs/RTAs
 - **Who will participate: Membership Issue**
 - **When to implement: Timing issue**

Policy Suggestions

- **Harmonizing Existing RTAs/FTAs**
 - Developing model measures and strengthening the implementation: high quality RTAs/FTAs
- **Promoting Business Friendly Environment**
 - Improving the *behind the border* Issues
 - Help capacity building for domestic reforms

Policy Suggestions

- **Conduct Comprehensive Joint study of FTAAP**
 - How to utilize RCM as platform
 - How to optimize economic benefit and what are the associated scope of coverage and time frame
 - How to develop modality

- **Consider to Set Up Peer Review Mechanisms**
 - Required commitment at high policy level

Road map to FTAAP: Modality and Tool

	Maintain APEC's Principle	Transform APEC into a Negotiating Body
Modality	<ul style="list-style-type: none"> - Expansion of Existing FTAs/RTAs by voluntary basis <ul style="list-style-type: none"> • utilize RCM as platform (EAFTA, P4.etc.) • expansion of MFN in APEC regions - Path-Finder Approach <ul style="list-style-type: none"> • 21-x approach 	<ul style="list-style-type: none"> - APEC initiates FTAAP negotiations <ul style="list-style-type: none"> • Agree modality • Differential treatment (both timeframe and scope) among developing and developed economies - APEC leads negotiations to harmonize RTAs/FTAs
Policy Tools	<ul style="list-style-type: none"> - Develop and implement APEC Model Measures <ul style="list-style-type: none"> • Encourage members to engage in high-quality FTAs/RTAs - Promoting Further Structural Reform - Conduct Joint Studies - Introduce Peer Review mechanism for intra-FTAs/RTAs 	<ul style="list-style-type: none"> - Sector specific negotiation - EU style 'Asia Pacific Economic Community'

**Thank you very
much.**